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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 000382

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SUBJECT: CHINA-ROK RELATIONS: MINOR TENSIONS, POSITIVE
OVERALL

Classified By: Deputy Political Section Chief Ben Moeling. Reasons 1.4
(b/d).

11. (C) Summary: In a round of recent meetings on the state of Sino-ROK relations, Chinese and ROK officials agree that the overall trend of the bilateral relationship is positive. Chinese leaders are quite pleased at the appointment of Yu Woo-ik, the former Chief of Staff to ROK President Lee Myung-bak, as the new ROK Ambassador to Beijing. Chinese officials point to the unprecedented frequency of high-level exchanges as a sign of the growing importance of Sino-ROK ties and note that President Lee has tentatively agreed to attend the opening ceremony of the Shanghai World Expo. Total bilateral trade slowed in 2009, but China still hopes to conclude a bilateral FTA with Seoul soon. One ROK Embassy contact said that even though many South Koreans believe China has strategic political motives for pursuing a bilateral FTA with the ROK, China's enthusiasm for the FTA contrasted with the U.S. delay in ratifying KORUS (South Korea-U.S. FTA). On mil-mil ties, China's priority remains reminding the ROK to avoid taking any actions that might affect the Taiwan issue. Chinese and ROK officials both maintain that the handling of DPRK defectors residing in ROK diplomatic missions remains an area of contention between the two countries. End Summary.

PRC-ROK Ties

12. (C) In a round of recent meetings on the state of Sino-ROK relations, Chinese and ROK officials agreed that the overall trend of the bilateral relationship was positive. Despite some initial concerns that ROK President Lee Myung-bak's campaign promise to emphasize the U.S.-ROK alliance might come at the expense of its ties with China, ROK Embassy contacts told us that Beijing had been pleasantly surprised that it had been able to continue developing a strategic relationship with Seoul. MFA Asia Department DPRK, ROK and Mongolia Division Deputy Director Bao Xuhui described Sino-ROK ties as friendly and smooth during a January 25 meeting. He noted that Seoul had sent Yu Woo-ik, President Lee's former Chief of Staff, as South Korean Ambassador to Beijing in December in a clear sign of the importance of the relationship to Seoul. PRC MFA officials were quite pleased at the appointment of Yu and suggested it had been well received by senior Politburo officials, said ROK Embassy Counselor Lee Heon during a January 19 discussion. Chinese scholars and MFA officials had frequently reminded Seoul that the ROK Ambassador to Washington was a former Prime Minister and had hinted that Seoul should send a similar political heavyweight to Beijing, maintained Lee. It would be interesting to see if the next Chinese Ambassador to Seoul -- rumored to be announced after Lunar New Year -- would be similarly well received in Seoul, said Lee.

¶3. (C) Bao highlighted the fact that Sino-ROK ties had undergone tremendous development since the establishment of diplomatic relations in 1992 and had been "upgraded" roughly every five years. The bilateral relationship was upgraded to "cooperative partnership" in 1998, to "comprehensive cooperative partnership" in 2002, and most recently to "strategic cooperative partnership" in 2008. Bao told PolOff that Beijing and Seoul closely cooperated on a variety of global issues such as UN reform, climate change, the global financial crisis and, of course, North Korea.

High-Level Exchanges

¶4. (C) The frequency of high-level exchanges and meetings between China and the ROK was unprecedented, claimed Bao. PRC Premier Wen Jiabao was scheduled to visit the ROK in May to participate in the China-Japan-ROK Trilateral Summit and President Hu was expected to meet with President Lee at the G-20 Summit in November. In 2009, recounted Bao, Politburo Standing Committee member Li Changchun and Vice President Xi Jinping paid separate visits to South Korea. And in 2008, President Lee met with President Hu a record three times (President Lee visited Beijing for an official visit in May and again in August for the Olympics, and President Hu paid an official to Seoul in August).

¶5. (C) According to Bao, ROK President Lee had agreed "in principle" to attend the opening ceremony of the Shanghai World Expo in April. He noted that 2010 had been designated the "Visit China" year in South Korea. Bao added that China

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had tentatively agreed to reciprocate by sending a senior Chinese leader to attend the opening ceremony of the Yeosu World Expo in 2012 and would designate 2012 the "Visit South Korea" year. ROK Deputy Chief of Mission Lim Sungnam confidentially confirmed to PolOffs on February 10 that ROK President Lee had agreed to visit Shanghai in April but said that there had been no quid pro quo agreement with China to guarantee a Chinese leader's participation at the Yeosu World Expo in 2012. Lim complained that the Chinese often seemed to link unrelated items in an effort to force their preferred outcomes (e.g. you visit my expo and I'll visit your expo).

¶6. (C) High-level exchanges with the Chinese were not without risks to the host country, said ROK First Secretary Jin Nam on January 28. Nam told us that Vice President Xi's visit to Seoul in December had gone well. Fortunately, said Nam, the ROK had decided to provide Xi with a level of security protection normally reserved for heads of state. Japan, however, had declined to upgrade Xi's security, and was later embarrassed when a loose coalition of anti-China protestors shouted slogans such as "go home" and "go to hell" during his visit to Japan. While Xi remained calm throughout this incident, MFA Vice Foreign Minister Wu Dawei and the PRC security detail became extremely agitated and flustered. Nam said that former PRC Ambassador to Tokyo and newly appointed VFM Cui Tiankai reportedly was sent back to Beijing for a scolding after Xi's visit.

¶7. (C) In addition to the numerous high-level exchanges between China and the ROK, Bao noted that there had been an explosion in people-to-people contact in recent years. China was the ROK's most popular tourist destination, with over 5.53 million South Koreans visiting China in 2008. There were more than 330 flights per week between the two countries and 110 Chinese cities had sister-city agreements with ROK cities. There were also more than 60,000 Chinese students in the ROK and 65,000 ROK students in China; both groups were the largest foreign student populations in the two countries. All of these official and unofficial exchanges helped the two countries better understand each other, asserted Bao.

Economic Agreements Lead to Enhanced Political Ties

¶ 8. (C) While the political relationship between Beijing and Seoul was important, said Bao, the foundation of the bilateral relationship was economic cooperation. According to Bao, there was "consensus" in Beijing and Seoul that South Korea's economic growth was now tied to China's economy and would develop and benefit along with China's growth. Bao confirmed that there had been some tension in the Sino-ROK commercial relationship last year when Chinese workers complained about unpaid wages after numerous ROK factory owners abruptly shut down operations in order to avoid complying with new labor regulations. The two governments have since dealt with this issue and continue to educate ROK investors about China's new labor regulations, said Bao. Currently, Beijing was focused on improving the quality of ROK investments in China and hoped to attract more high-tech investments in the environment and communication sectors. Due to the global financial crisis, total bilateral trade between China and South Korea had slowed in 2009, but China still hoped that bilateral FTA talks would move into the negotiation phase soon, said Bao.

¶ 9. (C) ROK DCM Lim confirmed that China was enthusiastic about concluding a bilateral FTA with South Korea. China's efforts to sign a bilateral FTA with the ROK and a trilateral FTA with the ROK and Japan might be part of China's strategic efforts to improve ties with its neighbors, said Lim. Unfortunately, these Chinese efforts might come at the expense of U.S. standing in the region, warned Lim. China's pro-active efforts to pass an FTA with the ROK contrasted poorly with the U.S. delay in ratification of KORUS, commented Lim. (In a follow-on point, Lim urged increased U.S. engagement in the Asia-Pacific region. He praised the Secretary's January 12 speech in Honolulu, but added that it was now up to Washington to fulfill the vision that the Secretary outlined. Lim suggested that the USG needed to think long-term and creatively. For instance, in order to increase American awareness of the Asia Pacific region, Lim suggested organizing a regular youth exchange comprised of students from the U.S., China, Japan and the ROK that would tour the region together and might include stops in Honolulu, Tianjin, Yokohama, and Incheon.)

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¶ 10. (C) Separately, ROK Embassy First Secretary Jin Nam said on January 28 that, as the host of the China-Japan-ROK Trilateral Summit in May, the ROK was focused on moving forward on conducting feasibility studies for a trilateral FTA. The ROK also had proposed and received positive feedback from Beijing and Tokyo on establishing a permanent trilateral secretariat in Seoul, according to Jin.

Military Ties

¶ 11. (C) China and the ROK were slowly developing a mil-to-mil relationship, said Bao. Thus far, the two militaries had established a hotline in 2008, had conducted joint naval search and rescue operations, and exchanged high-level military visits. Seoul and Beijing had not yet conducted any joint military exercises. Bao told PolOff that China's main concern on military issues was to remind the ROK to avoid taking any actions that might affect the Taiwan issue.

DPRK

¶ 12. (C) How to handle DPRK citizens residing in ROK diplomatic missions remained an area of contention in the bilateral relationship, Bao acknowledged. Several years ago, noted Bao, ROK officials angered their Chinese counterparts when they provided assistance to DPRK refugees trying to enter ROK diplomatic buildings. The ROK's actions were viewed by the Chinese government as an abuse of their diplomatic status and a violation of Chinese law. Beijing

understood ROK concerns about getting exit permission for these individuals, but China viewed these individuals as illegal economic migrants -- not refugees -- and preferred to handle them according to domestic immigration law.

¶13. (C) ROK Counselor Lee Heon said that while overall Sino-ROK relations had improved over the course of 2009, the Ministry of Public Security (MPS) had increasingly become inflexible and "arrogant" on granting exit permissions to DPRK defectors located in ROK diplomatic buildings. Lee attributed the change in MPS attitude to the controversy surrounding General Secretary of the World Uighur Congress Kolkun Isa's attempt to enter South Korea in September 2009 on a flight from Germany. Once Beijing learned of Isa's attempt to enter South Korea, it dispatched a team of five MPS officials to the international airport in Seoul to demand the repatriation of Isa to China where he would have faced criminal charges for running a "terrorist organization." Although Blue House officials refused Isa entry into the ROK, they also refused to turn Isa over to Chinese officials, opting instead to send him back on a flight to Germany. Since that time, Lee maintained, MPS had become stricter and slower to make decisions when dealing with DPRK refugees at the ROK Embassy.

¶14. (C) Separately, Bao, who is an alumnus of Kim Il Sung University, said that he believed that North Korea had the following motivations in mind for revaluing its currency: 1) strengthening its planned economy; 2) strengthening social control over the North Korean people; and 3) reorganizing and simplifying control of its currency. It was clear, however, that North Korean leaders had not fully considered the consequences of the currency revaluation. North Korea had not yet set the foreign currency exchange rates and this had affected PRC Embassy operations in Pyongyang. Bao noted that the PRC Embassy in Pyongyang, which had previously accepted payment for visa applications in euros and dollars, had temporarily suspended visa processing. The Chinese and North Koreans were in discussions to find a resolution to this problem, Bao reported.

HUNTSMAN